



## A TOWN TO WORK, LEARN, PLAY AND PROSPER

Oudtshoorn 6620 - Tel. (044) 2033000- Fax: (044) 2033104- Epos: [post@oudtmun.co.za](mailto:post@oudtmun.co.za)

OUDTSOORN  
MUNICIPALITY

## DRAFT TARIFF POLICY

Council Resolution No:.....

Date:.....

## INDEX

<b>PREAMBLE.....</b>	<b>1</b>
<b>1. INTRODUCTION.....</b>	<b>2</b>
<b>2. OBJECTIVES .....</b>	<b>2</b>
<b>3. NEED FOR A TARIFF POLICY .....</b>	<b>2</b>
Revenue Adequacy and Certainty .....	2
Sustainability.....	2
Effective and Efficient usage of Resources.....	3
Accountability, Transparency and Good Governance.....	3
Equity and Redistribution.....	3
<b>4. IMPLEMENTATION OF POLICY.....</b>	<b>4</b>
Free Basic Services.....	4
Affordable Tariffs .....	4
Tariff Equality for Services and Property Rates.....	5
Rates .....	5
Payment for services rendered .....	5
Local Economic Development and Competitiveness .....	6
Service Delivery Sustainability.....	6
Tariff Determination.....	7
<b>5. SOURCES OF REVENUE .....</b>	<b>8</b>
<b>6. TARIFF STRATEGY.....</b>	<b>9</b>
Recovery of Cost.....	9

<b>Capital Costs (Depreciation) .....</b>	<b>9</b>
<b>Maintenance Costs .....</b>	<b>9</b>
<b>Consumption /Usage .....</b>	<b>9</b>
<b>Cost of Immeasurable Services .....</b>	<b>9</b>
<b>7. SERVICES CLASSIFICATION .....</b>	<b>10</b>
<b>Trading Services .....</b>	<b>10</b>
<b>Economical Services .....</b>	<b>10</b>
<b>Subsidized Services .....</b>	<b>10</b>
<b>Community Services.....</b>	<b>10</b>
<b>8. CATEGORIES OF USERS .....</b>	<b>11</b>
<b>9. TARIFF CHARGES .....</b>	<b>12</b>
<b>Property Taxation .....</b>	<b>12</b>
<b>Services charges .....</b>	<b>12</b>
Electricity .....	12
Water .....	16
Refuse Removal .....	18
Sewerage.....	19
<b>General Tariffs .....</b>	<b>20</b>
<b>10. UNIT OF MEASUREMENT .....</b>	<b>21</b>
<b>11. SOCIAL BENEFITS .....</b>	<b>22</b>
<b>12. RESPONSIBILITY/ACCOUNTABILITY .....</b>	<b>24</b>

## DEFINITIONS

1. In this tariff policy, unless inconsistent with the context, a word or expressions to which a meaning in the Act has been attached means:-
  - 1) "*agricultural consumer*." include but are not limited to-  
Farms, smallholdings and agricultural show grounds;
  - 2) "*break even*" occurs where the volume sales are equal to the fixed and variable cost associated with the provision of the service;
  - 3) "*charitable and welfare institutions and organizations*" include but are not limited to-  
Any institution managed on a non-profitable basis by a church association or a registered charity
  - 4) "*Commercial consumers*" include but are not limited to-business, undertakings, shops, offices, liquor stores, supermarkets, public garages, gathering places, nurseries, places of entertainment, service stations, hairdressings salons, banks, hotels, guesthouses, boarding houses and doctor-and dentist consulting rooms;
  - 5) "*community service*" are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered fully from public service charges and are of a regulatory nature;
  - 6) "*Domestic consumers*" include but are not limited to-  
Residence, group housing, town houses, semi-detached houses, and flats;
  - 7) "*Economic services*" are services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers;
  - 8) "*educational and communal institutions*" include but are not limited to-  
schools, colleges, pre-primary schools not operated by a registered charity or welfare organizations, libraries, museums, churches, hospitals, clinics, correctional institutions, school hostels and community halls;
  - 9) "*fixed costs*" are costs which do not vary with consumption or volume produced;
  - 10) "*geographical areas*" areas identified as such by council due to service backlogs, social circumstances or any other similar reasons;
  - 11) "*Indigent households*" are households that are registered at the municipality as such and meet the criteria's as set by Council from time to time and occupying a property within the jurisdiction of the municipality;
  - 12) "*Industrial consumers*" include but are not limited to-  
industrial undertakings, factories, warehouses, workshop, scrap yards, stores, wine cellars, abattoir, dairy processing plants and fish markets;
  - 13) "*In season*" refers to the period from the 1st December of a year up to 31 January of the following year and from the Monday before the Easter weekend up to and including Easter Monday;
  - 14) "*lifeline tariffs*" a unit charge calculated by dividing the total cost associated with the service by the volume consumed (units);
  - 15) "*Municipalities*" including but are not limited to-  
All properties registered in the name of the Oudtshoorn Municipality or

controlled by the municipality accepting libraries, museums, contagious diseases hospital and caravan parks;

- 17) "*resident* - a person who is ordinary resident in the municipal area;
- 18) "*Special agreements*" are special tariff agreements entered into with Users of municipal service: making significant economic Contribution to the community and create job opportunities;
- 19) "*Sport and recreation facilities*" include but are not limited to-  
Properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption and caravan parks;
- 20) "*the Act*: the Local Government: Municipal Systems Act, 2000 (Act no 32 Of 2000);
- 21) "*total cost*" is the sum of all fixed and variable costs associated with a service;
- 22) "*trading services*" Are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit. On the delivery of the services;
- 23) "*two-part tariffs*" are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the total number of customers and the variable costs are recovered by dividing the total variable costs by the volume consumed;
- 24) "*Units consumed*" are the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in Section 7;
- 25) "*Variable costs*" are costs that vary with consumption or volume produced.
- 26) any reference in this tariff policy to '**an availability charge**' in relation to a particular service (albeit water, electricity, sanitation and refuse removal) shall mean an amount payable by the consumer in respect of the service as the consumer may reasonably be connected to the service which is available, although the vacant property concerned is not in fact so connected and or serviced. In contrast hereto a 'charge' shall refer to the minimum amount payable by the consumer in respect of a particular service irrespective of the extent to which the service is used during any given period of time.
- 27) For subdivisions or group housing developments, where the developer provides the internal civil services, availability charges for all erven approved and subdivided within the development for water, electricity, refuse removal and sanitation (where applicable) become payable 12 months after the issue of the Completion Certificate in terms of GCC 2010. If an individual erf within the development is transferred before the 12 month period has expired, availability charges for that specific erf will become payable for water and sewer as on the date of transfer, the submission of a building plan or the request for a Certificate of Registered Title. The date of the completion certificate must be confirmed by the director responsible for the specific service and which certificate a copy must be submitted immediately on receipt to the financial department.

In this tariff policy, a word or expression derived from a word or expression defined in subsection (1) has a corresponding meaning unless the context indicates that another meaning is intended.

28) This tariff policy must be read with all other Acts, Ordinances and Regulations pertaining to the supply of services by the Municipality and the tariffs and fees payable in respect thereof. In the event of any inconsistency between this tariff policy and any other legislation in force when this tariff policy comes into effect, this tariff policy shall prevail.

DRAFT

## PURPOSE

This policy aims to ensure that:

- The provisions of section 74 of the Act on Municipal Systems (Act 32 of 2000) are complied with;
- The tariffs are realistic and affordable;
- To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Systems Act (Act 32 of 2000).

## ALIGNMENT WITH THE MUNICIPALITIES' STRATEGIC GOALS AND OBJECTIVES

4.1. This Policy supports the following municipal strategic directions drawn from the Integrated Development Plan [IDP] and Strategic Development Business and Implementation Plan [SDBIP]:

- **IDP:** *"To facilitate economic development and integration of communities by utilizing the resources of Council to increase the participation of local people in the mainstream economy and improve their livelihoods without compromising the financial viability of the municipality."*
- **SDBIP:** *"To manage municipal resources in such a way that it improves the sustainability of the municipal assets and that financial planning and budget linkages can be optimized for improved service delivery and development"*

## CONTEXT

Tariff is defined as: "A tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff."

The Municipal Manager or his/her delegate must, subject to the guidelines provided by the National Treasury and Executive/Mayor of the municipality, make provision for the following classification of services:-

### (a) Trading services

- Water;
- Electricity.

### (b) Economic services

- Refuse removal;
- Sewerage disposal.

### (c) Community and subsidized services

These include all those services ordinarily being rendered by the municipality excluding.

Trading and economic services must be ring fenced and financed from service charges while community and subsidized services will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

## SCOPE OF APPLICATION

It is intended that this policy document guides the annual setting (or revision) of tariffs, hence the policy does not make specific tariff proposals, nor does it deal in any detail with the implementation of specific tariff proposals. Details pertaining to specific levels and applications of the various tariffs are published in the Tariff listing, which must be read in conjunction with this Policy, and is issued on annual basis together with the Municipal Budget.

The policy is applicable to all tariffs for electricity, water, sanitation and solid waste services including availability charges and capital contribution charges as applicable. This policy is also applicable to all sundry tariffs, as provided for in the Tariff listing of Oudtshoorn Municipality.

## **GOVERNANCE AND REGULATORY REQUIREMENTS**

Tariff in terms of this Policy shall comply with the:

- Constitution of the Republic of South Africa, 1996 as amended;
- Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), sections 17(3) (a)(ii), 19(2)(b), 24(2)(c)(ii), 28(6) and 62(1)(f)(ii) – [MFMA];
- Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), sections 4, 74 and 75 – [MSA]; and
- Any other applicable legislation, regulations and policies that may govern tariffs and that are not in contradiction with the primary legislation referred to above.

## PREAMBLE

**WHEREAS** Section 74 of the Local Government: Municipal System Act (Act 32 of 2000) provides that –

(1) A tariff policy must reflect at least the following principles -

- users of municipal services should be treated equitably in the application of tariffs;
- the amount individual users pay for services should be in proportion to their use of that service;
- poor households must have access to at least basic services through –
  - (a) tariffs that cover only operating and maintenance costs;
  - (b) special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of services; or
  - (c) any other direct or indirect method of subsidization of tariffs for poor households;
- tariffs must reflect the cost reasonably associated with rendering the service including capital, operating, maintenance, administration and replacement costs, and interest charges;
- tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned;
- provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- the economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- the extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed;

(2) A tariff policy may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

## **1. INTRODUCTION**

A tariff policy must be compiled, adopted and implemented in terms of the Local Government Municipal Systems Act No. 32 of 2000 and the Municipal Finance management Act No. 53 of 2003. This Policy will cover the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements. In setting its tariffs the council shall at all times take due cognizance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

## **2. OBJECTIVES**

The objective of the tariff policy is to ensure the following:

- The tariffs of the Municipality conform to acceptable policy principles;
- Municipal services are financially sustainable;
- There is certainty in the Council, of how the tariffs will be determined;
- Tariffs of the Municipality comply with the applicable legislation; and
- Tariffs should take into consideration relief to the indigent.

## **3. NEED FOR A TARIFF POLICY**

### **3.1 Revenue Adequacy and Certainty.**

The Municipality must have access to adequate sources of revenue to enable it to carry out its functions. The Municipality must:

- Fully utilize the available sources of revenue to meet its development objectives; and
- Be reasonably certain of its revenue to allow for realistic planning.

### **3.2 Sustainability.**

Financial sustainability requires that the Municipality must ensure that its budget balances. This means that the Municipality must ensure that:

- Services are provided at affordable levels; and
- It is able to recover the costs of service delivery.

The Municipality realizes that no aid will be provided to it if it exceeds its budget or fails to establish proper financial management controls. Councilors will set realistic budgets. All members of the community have the right to have access to at least a minimum level of basic services. There is therefore, a need to subsidize poor households, who are unable to pay even a proportion of service costs.

### **3.3 Effective and Efficient usage of Resources.**

Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community. However, there are no mechanisms

available to ensure that the Municipality's decisions will ensure effective allocation of resources. It is therefore important that the community provide the necessary checks and balances. They can do this by participating in the budget process. In addition, performance audits should be carried out by the office of the Auditor-General or outsourced to a private firm. Efficiencies in spending and resource allocation will ultimately increase the access of the poor to basic services.

### 3.4 Accountability, Transparency and Good Governance.

The Municipality must be accountable to the community for the use of its resources. Councilors must be able to:

- Justify their expenditure decisions; and
- Explain why and how the revenue necessary to sustain expenditure, is raised.

Budgeting and the financial affairs of the Municipality must be open to public scrutiny, in accordance with Section 22 of the Municipal Finance Management Act No 53 of 2003. The community should be part of the decision-making process about how revenue is raised and spent. Community participation in budgeting should include those groups in the community, such as women, who face particular constraints in participating. It must also include a capacity-building component to ensure that people understand the prioritization process (why resources are allocated to one area rather than another).

### 3.5 Equity and Redistribution.

The Municipality must treat members of the community equitably with regard to the provision of services.

Development and Investment.

Meeting basic needs in the context of existing services backlogs, will require increased investment in municipal infrastructure.

## 4. IMPLEMENTATION OF POLICY

### 4.1 Free Basic Services.

The Municipality subscribes to the policy that all poor households are entitled to a minimum amount of free basic services. A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety of the environment. The Municipality will aim to achieve the goal of providing free basic services by developing this Policy in conjunction with the Oudtshoorn Indigent Policy.

The specific services are:

- Water;
- Domestic waste and sewage removal;
- Domestic refuse removal;
- Electricity; and

The Council is aware that it currently does not provide all these services to all residents within its municipal area. It is also aware that, some of the services is currently provided, or may be provided by other bodies, in which case, the Council commits to make representations and negotiate with those service providers to achieve its goal.

#### 4.2 Affordable Tariffs

The Council is aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels.

In order to ensure that tariffs remain affordable, the Council will ensure that:

- Services are delivered at an appropriate level;
- Efficiency improvements are actively pursued across the Municipalities' operations;
- A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used; and
- Any service that is provided for which there is little demand, that is priced under the actual cost of providing it and which requires the Municipality to maintain significant infrastructure and other facilities, are to be phased out, except where the Council is by law required to provide such a service.

To increase affordability for indigent persons, the Council will ensure that its equitable share of revenue raised nationally, will be used to subsidies a certain level of basic services for them.

#### 4.3 Tariff Equality for Services and Property Rates.

The Council believes that all residents and ratepayers must pay the same tariff for the same level and quality of service. However different categories of properties can have different tariffs.

#### 4.4 Rates

Property rates are an important source of discretionary revenue for the Municipality. It is used to finance services that cannot be apportioned to individual consumers and to balance the budget after service charges have been determined. It is therefore imperative that property rates must be levied, and is payable in respect of, all ratable properties within the municipal area. The Council will, as a first step, ensure that all properties are valued in terms of the Local Government Property Rates Act No. 6 of 2004.

The Municipality, like any other business enterprise is subject to continuous price increases in the goods, materials and other resources that it uses to perform its functions. Consequently it is the policy of the Council:

- That tariffs for service and property rates will be reviewed at least once during every financial year;
- That tariff increases must be in line with increases in the price of goods,

material and other resources acquired and used by the Municipality to perform its functions; and

- Further the tariff for a particular service must be calculated in such a way that all relevant costs are covered. This means that a tariff for a service must include at least the capital expenditure required and interest thereon, the cost of managing and operating the service and the cost of maintaining, repairing and replacing the physical assets used in its provision.

#### 4.5 Payment for services rendered

Having regard for the abovementioned Council's policy on a minimum amount of free basic services for all poor households, the Council believes that consumers of services must pay for the amount of services that they use. Where it is possible to measure the consumption of services, the Council intends to install metering systems as in the case of water usage, and to take into account the free service element. In this regard the Council will develop a program to install meters in appropriate cases. It is also the Council's policy that the tariffs for such services must include all relevant cost factors as stated above.

#### 4.6 Local Economic Development and Competitiveness

The size of the property rates and service charges accounts presented to local businesses is a significant business overhead for any business enterprise in the municipal area. The overhead of a business is one of the factors that influence the price of goods and services sold by it, and therefore its profitability and chances of survival. The Council will take care that the municipal account presented to local businesses are fair. To ensure fairness toward local business, the Council will, when it determines tariffs, take into account the desire:

- To promote local economic competitiveness; and
- To promote local economic development and growth.

#### 4.7 Service Delivery Sustainability.

The Municipality must ensure that the services that it provides must be sustainable. Financial sustainability of an enterprise will be achieved when it is financed in a manner that ensures that its financing is sufficient. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision.

However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that the charges to be levied must be collected. The Council will therefore adopt and apply a Credit Control and Debt Collection policy to ensure that property rates and service charges are recovered.

Where a trading and economic service is available to a property, an availability levy will be imposed if the occupier of the property does not use the service concerned or if the property is vacant. The availability levy, if possible, will be adequate to cover the pro rata cost of the initial capital expenditure and interest thereon and the maintenance of the infrastructure associated with service delivery.

#### 4.8 Tariff Determination

Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality and for rates on properties. Tariffs may be calculated in various different ways, dependent upon the nature of the service being provided. Tariffs may be set in such a manner so as to recover the full cost of the service being provided or recover a portion of those costs, or to bring about a surplus that can be utilized to subsidies other non-economical services.

In special circumstances, such as significant increases in the wholesale price of goods and services that the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during the Council's public participation process.

Immediately after the Council has determined or amended a tariff, the municipal manager must clearly display it at all the offices of the Municipality as well as at such other places within the municipal area as she / he may determine, a notice.

The notice must state:

- The general purpose of the resolution;
- The date on which the determination or amendment comes into operation;
- The date on which the notice is displayed;
- That any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed; and
- That any person who cannot write may come during office hours to a place where a staff member of the Municipality named in the notice will assist that person to transcribe her/his objection.

If no objection is lodged within the period stated in the notice the determination or amendment will come into operation on the date determined by the Council.

Where an objection is lodged, the Municipality will consider every objection. The Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment and may determine another tariff, on the date on which the determination or amendment will come into operation. After the Council has considered the objections it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council.

## 5. SOURCES OF REVENUE

The Council may finance the affairs of the Municipality by:

- Charging fees for services;
- Imposing rates on property; and
- to the extent authorized by national legislation –
  - imposing surcharges on fees, and
  - Other taxes, levies and duties.

The Municipality will establish appropriate mechanisms, procedures and processes to ensure community participation in, amongst other things, the preparation of its budget.

The following provisions will be applicable:

- The revenue of the Municipality consists of the rates, taxes, fees, charges, fines and other sums imposed or recoverable by or payable to the Council under any law;
- The Council may charge interest on any other amount due to it that may not have been paid within thirty days from the date on which such amounts became due. The interest rate fixed by Council from time to time must be higher than the rate payable by the Council to its bank in respect of an overdraft for the period during which such amounts remain unpaid after the expiry of the period of thirty days.
- The interest rates referred to above must be amended on the first day of the month following on the month in which the Council's bank has amended the interest rate payable by the Council to its bank in respect of an overdraft;

## 6. TARIFF STRATEGY

The Council's strategy is to recover the full financial cost of rendering the services required by the community from the community, including the cost of capital:

- The starting point to recover cost is the determination of service levels. These shall be based on basic human needs;
- The second point will be to ensure a sustainable service delivery based on the set service level; and
- The third point will be the upgrade of services to higher levels in accordance with the affordability of the community and the ability to render the upgraded services in a sustainable manner.

### 6.1 Recovery of Cost.

Resource management expenditure is those activities that are required to regulate, manage and maintain the service.

6.2 Capital Costs (Depreciation).

Capital cost expenditure is the Council's obligation to meet the repayments on loans negotiated to finance the provision of the service.

6.3 Maintenance Costs.

These are normal running costs to maintain the service at the established level of service provision.

6.4 Consumption /Usage.

In the case of measurable services, the actual cost of usage of the services is easily determined. Where measurable services are provided without measuring devices being installed, the cost will be calculated by using the sartorial charge multiplied by the bulk registered consumption or estimated volume of consumption divided by the number of households/properties.

6.5 Cost of Immeasurable Services.

These services are normally community and subsidized services and the cost will be recoverable through a rating policy as determined from time to time. Recovery of costs will therefore be equalized over the total area of jurisdiction of the Council and the principle of collective payment will apply.

## 7. SERVICES CLASSIFICATION

Traditionally, municipal services have been classified into four groups based on how they are financed. The four groups are as follows:

7.1 Trading Services.

Water and electricity provisions are trading services. Typically the consumption of a trading service is measurable and can be apportioned to an individual consumer. These services are managed like businesses. The tariffs for these services are determined in such a way that a net trading surplus is realized. The trading surplus is used to subsidies the tariffs of non-trading services, in other words to relieve property rates.

7.2 Economical Services.

Sewage and domestic household removal are economic services. The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like

businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service.

### 7.3 **Subsidized Services.**

Subsidized services include fire fighting, approving building plans and the construction of buildings, leasing of municipal facilities, selling of burial sites and certain town planning functions. Subsidized services are those services the consumption of which can be determined reasonably accurately and apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, nobody would be able to afford it. In most cases not only would the consumer benefit from using the service, but also other persons. A user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service.

### 7.4 **Community Services.**

Community services are those services the consumption of which cannot be determined nor apportioned to individual consumers. These services are typically financed through the imposing of rates on properties. Examples are the establishment, operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of cemeteries.

The Municipality also provides services in support of the above-mentioned services. These are called staff functions and include committee services, records and archives, financial management accounting and stores, occupational health and human resources management. These services are financed through property rates.

## 8. **CATEGORIES OF USERS**

The tariff structure of the Oudtshoorn Municipality will make provision for the following categories of users:

- (a) domestic;
- (b) commercial;
- (c) industrial;
- (d) agricultural;
- (e) rural;
- (f) municipal services; and
- (g) Special agreements for users not falling in any of the above-mentioned categories.

Where there is a substantial difference between the standard of services provided to

a specified category of users, the Council may determine differentiated tariffs within the specified category.

## **9. TARIFF CHARGES**

### **9.1 Property Taxation.**

The major source of local taxation is the property tax (property rates), regulated by the Local Government Property Rates Act No. 6 of 2004. The owners of property in municipal areas have to pay a tax based on a valuation of their properties in order to finance certain municipal services. While this tax is by no means the sole source of municipal revenue, it is an important source of discretionary revenue for the Municipality and enables it to function effectively. For details of Property Taxation refer to the Property Rates Act, No. 6 of 2004 and the official Rates Policy and By-Laws of the municipality adopted in terms of the Act.

### **9.2 Services charges.**

An important source of local own revenue is charges that are directly related to the provision of municipal services. The majority of these are utility charges, such as electricity and water, which have contributed significantly to the growth of Municipalities' revenue. Cost recovery is an essential part of sustainable service delivery. In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with, or charged separately from a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

#### **9.2.1 Electricity**

9.2.1.1 All electricity tariff adjustments are subject to approval by the National Electricity Regulator.

9.2.1.2 Electricity will be measured in two ways namely:-

##### **(a) Pre-paid metering system**

This method is preferred for the poor households and the indigent and should be encouraged for all other consumers in the area.

The first 50 kWh units for registered indigent consumers shall be free of charge with the first purchase of every month.

**The different tariff categories are as follows –**

##### **(i) Single Phase:**

- The lowest tariff, unit charge, where the meter and connection is paid for by the consumer;

- The middle tariff, unit charge, where the meter is supplied by the Municipality;
- The highest tariff, unit charge, where the wiring, meter and connection is supplied/done by the Municipality.

(ii) Three Phase:

Unit charge applicable.

(b) Conventional metering systems

This tariff will be calculated during the budget process and based on the costs associated with rendering the service and must include capital, operating, maintenance, administration, replacement costs, and interest charges.

The first 50 kWh units for all registered indigent consumers shall be free of charge.

A clear distinction or breakdown of the tariff per cost must be indicated when the tariff is calculated, to enable the user to see how his/her payment is utilized.

There must be a differentiation between the following categories of users pertaining to the tariff based on the size of and supply to the premises:

- Single phase – up to 60 Amp single phase;
- Three phase – up to 80 Amp three phase;
- Bulk low voltage above 80 Amp three phase;
- Bulk high voltage;
- Irrigation pumps;
- Flood lights and Phone Booths – per 125Watt;

9.2.1.3 The categories of electricity consumers as set out below shall be charged at the applicable tariffs, as approved by the council with each annual budget. Tariff adjustments shall be effective from 1 July each year.

Categories of consumption and charges shall be:

**Domestic Tariffs**

**Single Phase Prepaid >30Amp**

- Energy charge:
- Amp Charge
- Basic Charge

**Single Prepaid 20Amp**

- Energy charge:

**Single Prepaid Indigent**

- Energy charge:

#### **Single Conventional Indigent**

- Energy charge:

#### **Single Phase Conventional**

- Energy charge:
- Amp Charge
- Basic Charge

#### **Single Phase Conventional 30Amp**

- Energy charge:

#### **Commercial Tariffs**

##### **3PhasePrepaid<80 Amp**

- Basic charge
- Energy charge
- Amp charge

##### **3PhaseConventional<80Am**

- Basic charge:
- Energy charge:
- Amp charge:

##### **Three Phase Conventional Dual<80Amp**

- Basic charge
- Energy charge
- Amp charge

##### **Three Phase Municipal Sport<80Amp**

- Basic charge:
- Energy charge:
- Amp charge:

#### **Irrigation Pump**

- Basic charges
- Energy charge:
- Demand Charge:

### **Own Use**

- Basic charge:
- Energy charge:

### **Street Lighting and Telephone Booth**

- Energy charge:

### **Geyser Control**

- Basic charge:

### **Time of Use<11kV**

- Basic Charge:

### **Low Season**

#### **Energy charge:**

- Peak:
- Standard
- Off-Peak

### **High Season**

#### Energy charge:

- Peak:
- Standard:
- Off-Peak:

Network demand charge:

Network access charge:

Reactive Energy:

### **Sundry Charges**

Sundry charges may include tariffs calculated on the following:-

- Connection fees for single and three phase (cost plus a determined percentage);
- Geyser load control unit with new connection;
- Disconnection fees;
- Circuit breaker changes (single and three phase);
- Upgrading of supply;
- Meter conversion – single and three phase;
- Re-connection fees;
- Test of meters single, three phase and demand meters;
- Test and investigation of installations;
- Tampering with electrical meters and connections;
- Tampering with geyser load control unit;
- Test and investigation of installations;
- Cable fault finding;
- Call out to premises if not municipal fault;
- Special meter readings;

- Temporary connections;
- Moving of street lamp posts;
- Solar water heating system;
- Interest on arrears;
- Availability Charge – An availability (Basic) fee will be charged on all vacant registered property in the Oudtshoorn Municipality area of jurisdiction where an electricity supply is available but not connected.

#### 9.2.1.4 General

Availability charges on vacant stands must be charged annually.

### 9.2.2 Water

#### 9.2.2.1 Water consumption can be measured in two ways namely:-

##### (a) Pre-paid metering system

Although this system is not used in the area of jurisdiction of the Municipality, this system may be implemented and used to save water and improve the cash flow of the Municipality. This method is preferred for the poor households and the indigent, to be applicable to all properties served with a pre-paid meter and the tariff should be calculated in such a way that the indigent and poor households be subsided due to water being an essential service rendered by the Municipality.

##### (b) Conventional metering system

This tariff will be calculated during the budget process and based on the costs associated with the rendering of the service and must include capital, operating, maintenance, administration, replacement costs and interest charges. A clear distribution or break down of the tariff per cost component must be indicated when the tariff is calculated to enable the user to see how his/her payment is utilized. There must be a differentiation between the following categories of users pertaining to the tariff for the supply:

- Single residential;
- High density housing units;
- Schools;
- Sport fields and amenities;
- Industrial, Commercial and Government;
- Bulk supply own distribution;
- Irrigation purposes;
- Municipal use.

#### 9.2.2.2 The categories of water consumers as set out below shall be charged at the applicable tariffs, as approved by the council with each annual budget. Tariff adjustments shall be effective from 1 July each year.

Categories of consumption and charges shall be:

- A monthly rental, based on a fixed amount according to the meter capacity, is applicable to all water meters;
- All domestic water consumers shall pay per stepped tariff per kiloliter as determined by the council from time to time shall be applicable
- All other consumers, including commercial, industrial and institutional consumers shall be charged for actual water consumption, which may include a stepped tariff per kiloliter as determined by the council from time to time, and as set out in this policy;
- The local municipality's departmental water consumption shall be charged at cost.

#### 9.2.2.3 Sundry Charges

Sundry charges may include tariffs calculated on the following:-

- Irrigational water;
- Purified sewerage water;
- Connection fees;
- Disconnection fees;
- Re-connection fees;
- Testing of meters;
- Special meter readings;
- Tampering with meters and connections;
- Interest on arrears - Interest will be charged on all monthly and annual accounts not paid by the due date;
- Availability charges

#### 9.2.2.4 General

Availability charges on vacant stands must be charged annually. The Municipal Manager is authorized to have delegated authority to impose water restrictions in any area within the municipality in instances of water shortages.

### 9.2.3 Refuse Removal

The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.

Tariff adjustments shall be effective from 1 July each year.

#### 9.2.3.1 A separate fixed annual refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:

Domestic (once weekly removal)

Other: Commercial, State, Institutions, etc. per 85dm<sup>3</sup> (twice weekly removal).

Tariff Structure

- Plastic Bags per week ( volume)

- Containers per week(volume)(240litre)
- Bulk Refuse Containers
- Truck Load,<2000kg
- Truck Load >2000kg
- Tipping Fees (Landfall Site)

### Method of calculation

- The costs per unit of measurement will be determined by dividing the total costs of the service by the total volume of refuse disposed of during the year. The total cost of the service includes the removal cost plus the operating cost associated with the service. The unit charge per cubic meter will be converted to a cost per black bag. A cost per month will be calculated for domestic consumers based on the average number of bags removed per week.
- The cost associated with the removal of bulk containers will be determined by calculating how many of the smallest removal units will be absorbed by a specific container.
- A monthly rental for the usage of a bulk container will be determined by discounting the purchase price of a bulk container over 5 years at an interest rate applicable to municipal loans.
- After council has consulted with owners or occupiers of commercial and industrial undertakings which do not make use of the standard black bags or mass containers, tariffs will be determined based on the estimated volume that will be removed per month.
- Opportunity costs for once-off removals will be calculated by recovering the costs of the volume removed plus a percentage surcharge as determined by council.
- A refuse removal tariff will be raised and is payable by all owners or occupiers of each developed property connected to the water and electricity distribution network of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses the refuse removal service or not or those who are not connected to the distribution networks to whom a refuse removal service is rendered on request.
- No refuse removal tariffs will be raised where council has not introduced a refuse removal service.

Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed as a refuse removal charge.

A fixed monthly charge shall be charged to the local municipality's departments

equal to the lowest (domestic) tariff.

The Council further reserves the rights to determine a tariff whereby casual consumers are charged for the removal of bulk refuse per dm/3.

9.2.3.2 A charge for the removal of garden refuse shall apply as follows:

Per load

9.2.3.3 A tariff for the sale of plastic refuse bags shall be fixed for the following categories:

- Black bags;
- Garden refuses bags.

#### **9.2.4 Sewerage**

The categories of sewerage users as set out below shall be charged per annum at the applicable tariff as approved by the council in each annual budget. Tariff adjustments will be effective from 1 July each year.

Categories of usage and charges shall be:

9.2.4.1 A fixed annual charge based on the number of toilets and urinals shall be charged for domestic users.

Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed for this service.

9.2.4.2 A fixed annual charge based on the number of toilets shall be charged to all guest houses, businesses, industries and institutional users.

9.2.4.3 A fixed annual charge based on the number of toilets and urinals shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.

9.2.4.4 An effluent fee shall further be payable by factories and other industrial users where the wastewater emanating from such users requires special purification measures by the municipality. Such fees shall be based on the toxic content of the wastewater concerned and the costs of the purification.

9.2.4.5 A basic (availability) charge per annum shall be charged for undeveloped erven, irrespective of their permitted or intended use.

9.2.4.6 Sundry charges may include tariffs calculated on the following:

- Connection fees;
- Removal of blockages;
- Sale of sludge;
- Emptying of sewage tanks.

### 9.3 General Tariffs

#### **CALCULATION OF MINOR TARIFFS**

All minor tariffs (being tariffs in respect of services and facilities other than the major services referred to in paragraph 3(4) shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidized by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

All minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

The following services shall be considered as subsidized services, Burials and cemeteries.

- Rentals for the use of municipal sports facilities.
- Municipal swimming pool.
- Municipal public transport.

The following services shall be considered as community services, and no tariffs shall be levied for their use:

Municipal museum and art gallery.

Disposal of garden refuse at the municipal tip site.

Municipal reference library.

Municipal lending library (except for fines set out below).

Municipal botanical garden, and all other parks and open spaces.

The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- Maintenance of graves and garden of remembrance (cremations).
- Housing rentals.
- Rentals for the use of municipal halls and other premises

- Building plan fees.
- Sales of plastic refuse bags
- Sales of refuse bins.
- Cleaning of stands.
- Electricity, water, sewerage
- new connection fees.
- Sale of livestock and plants.
- Photostat copies and fees.
- Clearance certificates for purposes of property transfers
- Town planning fees.
- Parking Fees.

The following charges and tariffs shall be considered as regulatory or punitive:

- Fines for lost or overdue library books
- Advertising sign fees.
- Pound fees.
- Electricity, water: disconnection and reconnection fees.
- Penalty and other charges imposed in terms of the approved policy on credit control and debt collection.
- Penalty charges for the submission of dishonored, stale, post-dated or otherwise unacceptable cheques.
- Industrial Effluent.
- All tariffs as approved in terms of the drought relief program.
- Fines- All relevant fines to be implemented by Council.

Market-related rentals shall be levied for the lease of municipal properties.

- In the case of rentals for the use of municipal halls and premises, if the municipal manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community and for arts and culture groups, the municipal manager may allow a discount of 50% on the rental that would otherwise have applied. The abovementioned will not apply to political parties and political parties may not use the halls for free.
- The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises And sports fields, and in so determining shall be guided by the likelihood of The municipality sustaining damages as a result of the use of the facilities Concerned.

Penalty and other charges imposed in terms of the approved policy on credit control and debt collection

Penalty charges for the submission of dishonored, stale, post-dated or otherwise unacceptable cheques.

## 10. UNIT OF MEASUREMENT

The following units of measurement will, where possible, be used to determine tariffs:

Water

Cost per unit (kilolitres consumed).

Basic cost plus cost per unit charge (kilolitres consumed).

Electricity

KVA Maximum demand plus fixed costs plus KWh units consumed.

Fixed costs plus kWh consumed. KWh units consumed.

Refuse removal

Plastic bags per week (volume).

Sewerage

Per toilet or urinal.

## 11. SOCIAL BENEFITS

To measure social benefits enjoyed by the community, the standards as set out in the tables here-under shall be used to achieve cost recovery and to measure service delivery. These measures must be used to ensure that the service is affordable to both the Council and households. The measures must be used to determine whether the infrastructure provided is managed effectively and to indicate whether any of the services should be curtailed. Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

SERVICE	MEASURES	COST RECOVERY
Cemeteries	Number of burials Number of graves	Subsidized
Cleansing, refuse removal and disposal	Number of cubic meters Number of tons Number of removals Number of living units Kilometers travelled Cost per m <sup>3</sup> removed	Economic

	Income per m <sup>3</sup> removed Cost per kilometer travelled Income per kilometer travelled	
Street cleaning	Length of streets Area of streets	Economic
Council general	Population Percentage of total expenditure	Community
Properties held for future development	Area Number of properties	Community
Grant-in-aid	Percentage of rates income	Community
Health • Clinics • Other	Number of attendance	Community
Organization and methods	Number of municipal staff Percentage turnover rate	Community
Parks and recreation	Area of developed parks Number of living units	Community
Personnel administration	Number of municipal staff Number of appointments Percentage turnover rate	Community
Town Engineering	Population Percentage of Municipal expenditure	Community
Road (including sidewalks)	Length of roads Area of roads	Community
Security and District Management	Number of installations Area covered	Community
Sewerage reticulation (disposal)	Number of connections Area served Length of mains Sewerage purified Cost per meg liter purified	Economic
Town Planning	Number of properties in area of jurisdiction	Community

Director: Finance	Number of municipal staff Percentage of municipal expenditure	Community
Valuations	Number of properties Percentage of municipal valuations	Community
Housing (Selling and letting schemes)	Number of dwellings	Economic
	Number of units purchased Number of units sold Percentage loss in distribution	

Electricity	Purchase cost per unit Cost per unit sold Income per unit Number of connections Cost per connection Length of mains	Trading
Street Lighting	Number of street lighting	Trading
Water Provision	Number of units purchased Number of units sold Percentage loss in distribution Purchase cost per unit Cost per unit sold Income per unit Number of connections Cost per connection Income per connection Length of mains Kiloliters purified Cost per kiloliter purified	Trading

## 12. RESPONSIBILITY/ACCOUNTABILITY

The Council or designates of the Council have the overall responsibility of laying down the Tariff Policy. The Municipal Finance Management Act defines the responsibility of the Municipal Manager as ensuring that the Tariff Policy be in place and that it is effectively implemented.

## 13. EFFECTIVE DATE

This policy will be effective from 1 July 2018